

# Money Fix: Zero-percent car deals vs. rebates

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Photo credit: iStock | Do the math and consider your long-term plans before deciding whether to take a zero-percent financing on a car. Sometimes a rebate is more economical.

There's no shortage of zero-percent financing offers from car dealers. But are you better off with a rebate?

"Zero-percent financing is a gimmick to sell cars," says Helen McGriffin, chief lending officer at Tropical Financial Credit Union in Pembroke Pines, Fla. "Because of the conditions placed on the loan, most consumers are better off with the cash savings of a rebate and low-rate financing."

Do the math. One key question is how long you plan to keep the car. If you buy a \$30,000 car, put down 10 percent and borrow \$27,000, with zero-percent financing, your monthly payment over 36 months is \$750, \$375 over 72 months. If the car manufacturer offers a \$3,000 rebate, and you apply it to your down payment, you only borrow \$24,000. Finance that amount at 1.99 percent, and your payment is \$687 over 36 months, or \$354 over 72 months. You'll save \$2,268 over 36 months or \$1,512 over 72 months.

Zero-percent deals aren't simple. "A nearly perfect credit score or short-term loan, which means higher monthly payments, may be required, and only specific cars may be eligible," says Frank Rinaudo, senior vice president for GrooveCar, in [Hauppauge](#), which provides car-buying information.

Frankly, says David Bendix, a CPA with The Bendix Financial Group in [Garden City](#), "You come out ahead with a rebate. Dealers are not as flexible with the car price when they're offering zero-percent financing."

When might zero-percent be best? If you'll keep the car for five years or more.